



CENTRAL KAROO DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

**UNAUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2018**

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Central Karoo Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
COUNTRY OF ORIGIN AND LEGAL FORM	South Africa Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
JURISDICTION	The CENTRAL KAROO Municipality includes the following municipal areas: Beaufort West Municipality Prince Albert Municipality Laingsburg Municipality
MUNICIPAL MANAGER	Mr. S. Jooste
CHIEF FINANCE OFFICER	Ms. UM. Baartman
REGISTERED OFFICE	63 Donkin Street, Beaufort West, 6970
AUDITORS	Auditor General of South Africa
BANKERS	First National Bank, Beaufort West ABSA, Beaufort West Nedbank, Beaufort West
ATTORNEYS	Crawfords Attorneys Coetzee & van den Bergh Attorneys
RELEVANT LEGISLATION	Basic Conditions of Employment Act (Act no 75 of 1997) Collective Agreements Division of Revenue Act Employment Equity Act (Act no 55 of 1998) Electricity Act (Act no 41 of 1987) Housing Act (Act no 107 of 1997) Infrastructure Grants Municipal Finance Management Act (Act no 56 of 2003) Municipal Planning and Performance Management Regulations Municipal Property Rates Act (Act no 6 of 2004) Municipal Regulations on Standard Chart of Accounts Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) SALBC Leave Regulations Skills Development Levies Act (Act no 9 of 1999) Supply Chain Management Regulations, 2005 The Income Tax Act Unemployment Insurance Act (Act no 30 of 1996) Value Added Tax Act

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2018

INDEX

	PAGE
Approval of Annual Financial Statements	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Financial Performance	5
Consolidated Statement of Changes in Net Assets	6
Consolidated Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 10
Accounting Policies	11 - 42
Notes to the Consolidated Financial Statements	43 - 76
Appendixes:	
Appendix A: Schedule of External loans	77
Appendix B: Segmental Statement of Financial Performance - Municipal Votes	78
Appendix C: Segmental Statement of Financial Performance	79
Appendix D: Segmental Analysis of Property, Plant and Equipment - GFS Classifications	80
Appendix E: Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	81
Appendix F: Appropriation Statements	82 - 87

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Active councillors as at 30 June 2018:

Executive Mayor	AL Rabie
Deputy Mayor	M Jafta
Speaker	IJ Windvogel
Councillor (Full time)	R Meyer
Councillor	AM Slabbert
Councillor	N Constable
Councillor	SM Meyers
Councillor	Q Louw
Councillor	J Botha
Councillor	SM Motsoane
Councillor	J Jonas
Councillor	B Kleinbooi

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual consolidated financial statements year ended 30 June 2018, which are set out on pages 5 to 84 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual consolidated financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual consolidated financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.

Accounting Officer
Mr. S. Jooste

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note(s)	2018 R	2017 R
Assets			
Current Assets			
Inventories	2	677 103	814 559
Receivables from exchange transactions	3	3 109 925	6 443 003
Receivables from non-exchange transactions	4	2 878 076	2 060 174
Unpaid Conditional Government Grants and Receipts	5	1 172 031	1 879 068
Employee Benefits Receivables	7	928 829	702 561
Taxes	6	737 801	434 289
Cash and cash equivalents	8	8 108 327	2 988 501
		17 612 092	15 322 155
Non-Current Assets			
Property, plant and equipment	9	8 231 379	7 048 694
Intangible assets	10	92 771	84 579
Employee Benefits Receiveable	7	9 515 553	9 991 682
		17 839 703	17 124 955
Assets associated with Discontinued Operations	42		2 971
Total Assets		35 451 795	32 450 081
Liabilities			
Current Liabilities			
Current Employee Benefits	11	4 828 139	4 166 007
Finance lease obligation	12	67 409	39 000
Trade and other payables	13	7 620 714	5 632 732
Unspent conditional grants and receipts	5	2 538 556	1 797 930
		15 054 818	11 635 669
Non-Current Liabilities			
Finance lease obligation	12	90 170	101 367
Employee benefits	14	17 094 788	17 451 601
		17 184 958	17 552 968
Non-Current Liabilities		17 184 958	17 552 968
Liabilities associated with Discontinued Operations	42		2 505
Total Liabilities		32 239 776	29 191 142
Net Assets		3 212 019	3 258 939
Accumulated surplus		3 212 019	3 258 939

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2018 R	2017 R
Revenue			
Revenue from exchange transactions			
Agency services	15	3 540 601	3 328 024
Department of Transport - Roads Service Charges		42 478 676	33 429 456
Interest received		513 228	503 069
Licences and permits		32 060	21 183
Operational Revenue	17	223 746	491 974
Contributed Property		471 000	-
Rental from fixed asset		87 109	71 199
Reversal of impairment loss	16	58 304	224 432
Total revenue from exchange transactions		47 404 724	38 069 337
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	31 809 261	28 679 427
Total revenue		79 213 985	66 748 764
Expenditure			
Employee related costs	19	(39 366 582)	(35 094 764)
Remuneration of councillors	20	(3 550 046)	(3 139 732)
Contracted services		(4 724 215)	(3 460 409)
Depreciation and amortisation	21	(526 809)	(328 005)
Impairment	22	(47 636)	-
Finance costs	23	(871 307)	(857 262)
Operational cost	24	(23 913 710)	(18 626 446)
Inventory Consumed		(8 818 134)	(7 454 331)
Total expenditure		(81 818 439)	(68 960 949)
Operating deficit		(2 604 454)	(2 212 185)
Loss on disposal of assets and liabilities		(15 885)	(47 128)
Actuarial gains / (loss)	14	1 133 722	1 573 156
Settlement by National Treasury	25	1 439 698	1 612 946
		2 557 535	3 138 974
(Deficit) surplus for the year from continuing operations		(46 919)	926 789
Discontinued operations	42	466	(56 658)
(Deficit) surplus for the year		(46 453)	870 131

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Balance at 01 July 2016	2 332 148	2 332 148
Changes in net assets		
Net Surplus for the year as previously reported	1 216 907	1 216 907
Purchase of own / treasury shares	(290 116)	(290 116)
Balance at 01 July 2017	3 258 938	3 258 938
Changes in net assets		
Loss for the year	(46 919)	(46 919)
Balance at 30 June 2018	3 212 019	3 212 019

CENTRAL KAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2018

CONSOLIDATED CASH FLOW STATEMENT

	Note(s)	2018 R	2017 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Other		52 665 861	35 781 226
Government		31 809 261	28 964 316
Interest income		513 228	503 069
		<u>84 988 350</u>	<u>65 248 611</u>
Payments			
Suppliers and employees		(78 535 308)	(67 169 359)
Finance costs		(14 916)	(11 437)
		<u>(78 550 224)</u>	<u>(67 180 796)</u>
Net cash flows from operating activities	27	<u>6 438 126</u>	<u>(1 932 185)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		(1 302 456)	(1 024 296)
Purchase of other intangible assets		(33 056)	(39 365)
Net cash flows from investing activities		<u>(1 335 512)</u>	<u>(1 063 661)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in/(Repayment of) finance lease		17 212	(42 442)
Repayment to National Revenue Fund		-	(59 000)
Net cash flows from financing activities		<u>17 212</u>	<u>(101 442)</u>
Net increase/(decrease) in cash and cash equivalents		<u>5 119 826</u>	<u>(3 097 288)</u>
Cash and cash equivalents at the beginning of the year		2 991 471	6 089 443
Discontinued operations	42	(2 970)	(684)
Cash and cash equivalents at the end of the year	8	<u>8 108 327</u>	<u>2 991 471</u>

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 40
	R	R	R	R	R	
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Agency Services	3 418 421	120 402	3 538 823	3 540 601	1 778	A
Department of Transport - Roads Service Charges	38 970 000	1 349 094	40 319 094	42 478 676	2 159 582	B
Interest Received	550 000	10 000	560 000	513 228	(46 772)	C
Licences and permits	22 450	12 550	35 000	32 060	(2 940)	D
Operational Revenue	2 538 605	(2 135 887)	402 718	223 746	(178 972)	E
Contributed Property	-	-	-	471 000	471 000	F
Rental of fixed asset	72 000	28 000	100 000	87 109	(12 891)	G
Reversal of Impairment Loss	-	-	-	58 304	58 304	H
Total revenue from exchange transactions	45 571 476	(615 841)	44 955 635	47 404 724	2 449 089	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Government grants & subsidies	27 705 300	7 645 585	35 350 885	31 809 261	(3 541 624)	I
Total revenue	73 276 776	7 029 744	80 306 520	79 213 985	(1 092 535)	
EXPENDITURE						
Employee related costs	(37 304 703)	(3 781 234)	(41 085 937)	(39 366 582)	1 719 355	J
Remuneration of councillors	(3 721 888)	202 161	(3 519 727)	(3 550 046)	(30 319)	K
Contracted Services	(5 875 393)	1 938 387	(3 732 305)	(4 724 215)	(991 910)	L
Depreciation and amortisation	(256 300)	(130 600)	(386 900)	(526 809)	(139 909)	M
Impairment	-	-	-	(326 430)	(326 430)	N
Finance costs	-	-	-	(871 307)	(871 307)	O
Operational cost	(18 090 772)	(6 565 167)	(24 655 939)	(23 634 450)	1 021 489	P
Inventory Consumed	(5 263 460)	(1 118 013)	(6 381 473)	(8 818 134)	(2 436 661)	Q
Total expenditure	(70 512 516)	(9 454 466)	(79 762 281)	(81 817 973)	(2 055 692)	
Operating deficit	2 764 260	(2 424 722)	(59 633 483)	(2 603 988)	57 029 495	
Loss on disposal of assets and liabilities	-	-	-	(15 885)	(15 885)	R
Actuarial gains/losses	(1 269 853)	400 000	(869 853)	1 133 722	2 003 575	S
Settlement by National Treasure	-	2 015 000	2 015 000	1 439 698	(575 302)	T
	(1 269 853)	2 415 000	1 145 147	2 557 535	1 412 388	
Deficit before taxation	1 494 407	(9 722)	1 689 386	(46 453)	(1 735 839)	

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**Budget on Cash Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 40
	R	R	R	R	R	
Statement of Financial Position						
ASSETS						
Inventories	1 060 000	-	1 060 000	677 103	(382 897)	
Receivables from exchange transactions	-	-	-	3 109 925	3 109 925	
Receivables from non-exchange transactions	1 186 000	-	1 186 000	2 878 076	1 692 076	
Unpaid Conditional Government Grants and Receipts	-	-	-	1 172 031	1 172 031	
Unpaid Conditional Government Grants and Receipts	896 000	-	896 000	928 829	32 829	
Taxes	-	-	-	737 801	737 801	
Cash and Cash Equivalents	8 285 000	-	8 285 000	8 108 327	(176 673)	
Finance lease receivables	472 000	-	472 000	-	(472 000)	
	11 899 000	-	11 899 000	17 612 092	5 713 092	
NON-CURRENT ASSETS						
Property, plant and equipment	5 959 000	-	5 959 000	8 231 379	2 272 379	
Intangible assets	12 000	-	12 000	92 771	80 771	
Property, plant and equipment	10 561 000	-	10 561 000	9 515 553	(1 045 447)	
	16 532 000	-	16 532 000	17 839 703	1 307 703	
Total Assets	28 431 000	-	28 431 000	35 451 795	7 020 795	
LIABILITIES						
CURRENT LIABILITIES						
Current Employee Benefits	-	-	-	4 828 139	4 828 139	
Finance lease Obligation	42 000	-	42 000	67 409	25 409	
Trade and Other Payables	6 970 000	-	6 970 000	7 620 714	650 714	
Current Employee Benefits	-	-	-	2 538 556	2 538 556	
	7 012 000	-	7 012 000	15 054 818	8 042 818	
NON-CURRENT LIABILITIES						
Finance lease Obligation	98 000	-	98 000	90 170	(7 830)	
Employee benefits	23 613 000	-	23 613 000	17 094 788	(6 518 212)	
	23 711 000	-	23 711 000	17 184 958	(6 526 042)	
Total Liabilities	30 723 000	-	30 723 000	32 239 776	1 516 776	
Net Assets	(2 292 000)	-	(2 292 000)	3 212 019	5 504 019	
NET ASSETS						
RESERVES						
Accumulated surplus	(2 292 000)	-	(2 292 000)	3 212 019	5 504 019	

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 40
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
RECEIPTS						
Other Revenue	45 021 000	(626 000)	44 395 000	52 665 861	8 270 861	
Government operating	26 905 000	9 661 000	36 566 000	31 809 261	(4 756 739)	
Government capital	800 000	-	800 000	-	(800 000)	
Interest income	-	-	-	513 228	513 228	
Interest	550 000	10 000	560 000	-	(560 000)	
	73 276 000	9 045 000	82 321 000	84 988 350	2 667 350	
PAYMENTS						
Suppliers and employees	(71 782 000)	(8 850 000)	(80 632 000)	(78 256 514)	2 375 486	
Finance costs	-	-	-	(14 916)	(14 916)	
	(71 782 000)	(8 850 000)	(80 632 000)	(78 271 430)	2 360 570	
Net cash flows from operating activities	1 494 000	195 000	1 689 000	6 716 920	5 027 920	
Cash flows from investing activities						
Purchase of property plant and equipment	-	-	-	(1 302 456)	(1 302 456)	
Purchase of other intangible assets	-	-	-	(33 056)	(33 056)	
Increase in loan	-	-	-	(278 794)	(278 794)	
Increase in non-current debtors	(691 000)	-	(691 000)	-	691 000	
Capital assets	(1 155 000)	(340 000)	(1 495 000)	-	1 495 000	
Net cash flows from investing activities	(1 846 000)	(340 000)	(2 186 000)	(1 614 306)	571 694	
Cash flows from financing activities						
Increase in/(Repayment of) finance lease	-	-	-	17 212	17 212	
Net increase/(decrease) in cash and cash equivalents	(352 000)	(145 000)	(497 000)	5 119 826	5 616 826	
Cash and cash equivalents at the beginning of the year	8 383 000	-	8 383 000	2 988 501	(5 394 499)	
Cash and cash equivalents at the end of the year	8 031 000	(145 000)	7 886 000	8 108 327	222 327	

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's consolidated financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Economic Entity applied deemed cost to Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has started with a process during the year to align items in the annual financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. This is set out in note 47 of the annual financial statements.

1.5. CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Central Karoo District Municipality, and its municipal entity Central Karoo Economic Development Agency, presented as a single entity and consolidated at the same reporting date as the parent entity.

Municipal entities are all controlled entities over which the Municipality has ownership control or effective control to govern the financial and operating policies of such controlled entities so as to benefit from its activities.

All inter-entity transactions and balances, unrealized gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate the accounting policies of controlled entities conform to the policies adopted by the Municipality.

1.6. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.7. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018**

1.8. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the annual Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

The Economic entity shall present an explanation of changes between an approved and final budget, by way of a note disclosure in terms of GRAP 24. Material differences are being defined by Management as 10% of a specific line-item.

No Consolidated Statement of Comparison of Budget and Actuals has been disclosed in terms of paragraph 32 of GRAP 24. Paragraph 32 of GRAP 24 states that separate budgets may be recompiled in order for consolidated disclosure purposes. As there are no separated budget for Central Karoo Development Agency, no recompilation in terms of paragraph 32 of GRAP 24 can be disclosed. Only the Statement of Comparison of Budget and Actuals are disclosed for the Municipality.

1.9. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2016/17 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p>	Unknown
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

1.10. LEASES

1.10.1. Economic Entity as Lessee

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Economic Entity. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Economic Entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Economic Entity recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Economic Entity as Lessor

Under a finance lease, the Economic Entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Economic Entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Economic Entity shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. BORROWING COSTS

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Economic Entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Economic Entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Economic Entity's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Economic Entity until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Economic Entity's interest it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Economic Entity has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Economic Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16. EMPLOYEE BENEFITS

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

(a) *Pension and Retirement Fund Obligations*

The Economic Entity provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Economic Entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Economic Entity operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Economic Entity has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Economic Entity pays fixed contributions into a separate entity. The Economic Entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Economic Entity pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post-Retirement Medical Obligations*

The Economic Entity provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Economic Entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(c) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Economic Entity. The Economic Entity's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(d) *Ex-Gratia Pension Benefits*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Economic Entity's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Economic Entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as financial cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(e) *Staff Leave*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(f) *Staff Bonuses*

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(g) *Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Economic Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Economic Entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.17.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
<u>Community Assets</u>		<u>Land and Buildings</u>	
Civic Buildings	100	Land	Indefinite
<u>Other Assets</u>		Buildings	100
General Vehicles	11 - 25	<u>Finance Lease Assets</u>	
Fire Engines	18 - 25	Lease Furniture and Office Equipment	3 - 5
Disaster Management Equipment	10 - 28		
Plant and Equipment	9 - 41		
Computer Hardware	5 - 25		
Furniture and Other Office Equipment	5 - 50		

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.17.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Economic Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Economic Entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Economic Entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Economic Entity has the resources to complete the project;
- it is probable that the Economic Entity will receive future economic benefits or service potential; and
- the Economic Entity can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	10

1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Application of deemed cost (Directive 7)

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Economic Entity estimates the asset's recoverable amount.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

In assessing whether there is any indication that an asset may be impaired, the Economic Entity considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Economic Entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Economic Entity operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Economic Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic Entity estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Economic Entity estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Economic Entity considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Economic Entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Economic Entity operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Economic Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

The Economic Entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Economic Entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2. Subsequent Measurement

Inventories, consisting of consumable stores, finished goods, materials and supplies and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1. Initial Recognition

Financial instruments are initially recognised when the Economic Entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Economic Entity, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Economic Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Economic Entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Economic Entity categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.21.2.4. *Non-Current Investments*

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3. De-recognition

1.21.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Economic Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Economic Entity has transferred substantially all the risks and rewards of the asset, or (b) the Economic Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Economic Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Economic Entity's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Economic Entity could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Economic Entity's continuing involvement is the amount of the transferred asset that the Economic Entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Economic Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2. Financial Liabilities

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4. *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.22. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.22.1. *Initial Recognition*

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.22.2. *Subsequent Measurement*

The Economic Entity initially measures the statutory receivables at their transaction amount. The Economic Entity measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Economic Entity assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Economic Entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Economic Entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

of the time value of money is material, the Economic Entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is reversed if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3. Derecognition

The Economic Entity derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Economic Entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Economic Entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Economic Entity:
 - i. derecognises the receivable; and
 - ii. recognises separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Economic Entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

available for use by the Economic Entity. Where public contributions have been received but the Economic Entity has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Economic Entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Economic Entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Economic Entity's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Economic Entity; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Economic Entity's operations or does not satisfy the above-mentioned criteria, the Economic Entity only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Economic Entity and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Economic Entity controls the resource from which future economic benefits or service potential is expected to flow to the Economic Entity. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Economic Entity therefore recognises an expense and related revenue for the consumption of services in-kind.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

1.23.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Economic Entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Economic Entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Economic Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Economic Entity has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Economic Entity does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Economic Entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Economic Entity as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. The municipality performs an agency function on behalf of the Provincial Administration: Western Cape for the proclaimed roads within its area.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Economic Entity resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Economic Entity:

- (a) A person or a close member of that person’s family is related to the Economic Entity if that person:
 - has control or joint control over the Economic Entity.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Economic Entity.
 - is a member of the management of the Economic Entity or its controlling entity.
- (b) An entity is related to the Economic Entity if any of the following conditions apply:

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Economic Entity or an entity related to the Economic Entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Economic Entity. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Economic Entity, including:

- (a) all members of the governing body of the Economic Entity;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Economic Entity;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Economic Entity; and
- (d) the senior management team of the Economic Entity, including the chief executive officer or permanent head of the Economic Entity, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Economic Entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Economic Entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Remuneration of management includes remuneration derived for services provided to the Economic Entity in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Economic Entity for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Economic Entity.

The Economic Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Economic Entity or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Economic Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Economic Entity's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Economic Entity referred to buildings in other municipal areas to determine the useful life of buildings. The Economic Entity also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Economic Entity's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other Economic Entity has the same geographical setting as the Economic Entity and that the other Economic Entity's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Economic Entity and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Economic Entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Economic Entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Economic Entity is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2018

- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Economic Entity discloses the nature and an estimate of the financial effect.

.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
2. INVENTORIES		
Maintenance Materials - At cost	677 103	757 281
Consumable Stores - Milk - At cost	-	57 278
	677 103	814 559
Inventories recognised as an expense during the year - Materials and supplies	8 818 134	7 454 331
No Inventories have been pledged as collateral for liabilities of the municipality.		
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Roads - Sundry debtors	3 109 925	6 443 003
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other receivables	2 969 524	2 139 005
Less: Allowance for Doubtful Debts	(91 448)	(78 830)
	2 878 076	2 060 175
Reconciliation of Bad debt		
Balance at beginning of year	78 830	418 176
Contribution to provision/(Reversal of provision)	12 618	(224 432)
Bad debts written off	-	(114 914)
	91 448	78 830
The entire provision for bad debts relates to outstanding balances older than 180 days.		
5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent grants		
National Government Grants	-	4 360
Provincial Government Grants	1 542 377	1 575 284
Other Grant Providers	996 179	218 286
	2 538 556	1 797 930
Less: Unpaid Grants		
National Government Grants	289 580	250 853
Provincial Government Grants	-	1 628 215
Other Grant Providers	882 449	-
	1 172 029	1 879 068
Unspent Grants	2 538 003	1 797 930
Unpaid Grants	(1 172 029)	(1 879 068)
	1 365 974	(81 138)

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
6. TAXES		
VAT	737 801	434 289
VAT is receivable/payable on the cash basis.		
7. EMPLOYEE BENEFITS RECEIVABLE		
Department of Transport: Roads - Post Employment Health Care Benefits	8 635 684	8 956 338
Department of Transport: Roads - Long Service Awards	1 360 718	1 210 682
Department of Transport: Roads - Ex-Gratia Pension Benefits	447 980	527 223
	10 444 382	10 694 243
Less: Current portion transferred to current receivables		
Department of Transport: Roads - Post Employment Health Care Benefits	(579 407)	(426 172)
Department of Transport: Roads - Long Service Awards	(234 101)	(104 535)
Department of Transport: Roads - Ex-Gratia Pension Benefits	(115 321)	(171 854)
	(928 829)	(702 561)
Total Long Term Receivables	9 515 553	9 991 682
8. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	1 300	1 300
Bank balances	3 521 476	(79 958)
Call Investments Deposits	4 585 551	3 067 159
	8 108 327	2 988 501

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018			2017		
	R			R		
The municipality had the following bank accounts						
Account description	Bank statement balances			Cash book balances		
	30/06/2018	30/06/2017	30/06/2016	30/06/2018	30/06/2017	30/06/2016
ABSA Bank Account Number 1540 0000 14 (Cheque Account)	39 279	91 833	351 650	39 279	91 833	351 765
First National Bank Account Number 6206 2151 429 (Cheque Account)	3 515 677	274 763	1 487 282	3 482 197	(171 791)	1 620 678
Total	3 554 956	366 596	1 838 932	3 521 476	(79 958)	1 972 443

Call Investment deposits

Nedbank - 03 / 7881125551 / 01	1 838 376	1 701 870
First Rand Bank Limited - 6223 6004 355	486 184	47 518
Nedbank - 03 / 7881114568 / 01	2 260 991	1 317 771
The total amount of undrawn facilities available for future operating activities and commitments		
	4 585 551	3 067 159

9. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost	Accumulated Depreciation and Impairment	Carrying value	Cost	Accumulated Depreciation and Impairment	Carrying value
Land	853 150	-	853 150	812 200	(23 200)	789 000
Buildings	5 940 333	(2 225 962)	3 714 371	5 510 284	(2 214 266)	3 296 018
Plant and machinery	994 310	(236 324)	757 986	888 092	(154 158)	733 934
Furniture and fixtures	2 201 710	(1 419 483)	782 227	1 941 176	(1 276 952)	664 224
Motor vehicles	2 836 947	(1 130 692)	1 706 255	2 146 200	(1 001 188)	1 145 012
Office equipment	1 184 653	(767 263)	417 390	1 079 695	(659 189)	420 506
Total	14 011 103	(5 779 724)	8 231 379	12 377 647	(5 328 953)	7 048 694

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

					2018 R	2017 R
Reconciliation of property, plant and equipment - 2018						
	Opening balance	Additions	Disposals	Depreciation	Impairment reversal/(loss)	Total
Land	789 000	40 950	-	-	23 200	853 150
Buildings	3 296 018	430 050	-	(46 802)	35 105	3 714 371
Plant and machinery	733 934	106 218	-	(82 151)	(15)	757 986
Furniture and fixtures	664 224	260 535	-	(127 517)	(15 015)	782 227
Office equipment	420 506	104 957	-	(75 467)	(32 606)	417 390
Motor vehicles	1 145 012	830 746	(99 495)	(170 008)	-	1 706 255
	7 048 694	1 773 456	(99 495)	(501 945)	10 669	8 231 379

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation and impairment	Prior Period Error/ Reclassificati on	Total
Land	812 200	-	-	-	(23 200)	789 000
Buildings	3 315 237	-	-	(42 419)	23 200	3 296 018
Machinery & Equipment	841 847	295 403	-	(51 946)	(351 370)	733 934
Furniture & equipment	640 765	50 680	(47 128)	(99 254)	119 161	664 224
Office equipment	350 069	161 386	-	(46 468)	(44 481)	420 506
Motor vehicles	427 280	511 467	-	(73 734)	279 999	1 145 012
	6 387 398	1 018 936	(47 128)	(313 821)	3 309	7 048 694

Pledged as security

Leased Property, Plant and Equipment of R157 579 is secured for leases as set out in Note 12.

There are no contractual commitments for the acquisition of property.

Included in the additions of Property Plant and Equipment was a building donated to the municipality from the National Department of Public works. The building was previously used as a clinic.

Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Property, plant and equipment in the process of being constructed or developed**Expenditure incurred to repair and maintain Property, Plant and Equipment:**

Contracted Services	246 027	45 555
---------------------	---------	--------

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R

10. INTANGIBLE ASSETS

	2018			2017		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Computer software	238 183	(145 412)	92 771	205 126	(120 547)	84 579

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	84 579	33 056	(24 864)	92 771

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Prior period error	Amortisation	Total
Computer software	57 348	37 069	2 169	(12 007)	84 579

The following material intangible assets are included in the carrying value above

The remaining amortisation period is 4 years.

Microsoft software and other software	92 771	84 579
---------------------------------------	--------	--------

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title are restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

11. CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Refer to Note 15	1 079 358	937 346
Current Portion of Long Service Provisions - Refer to Note 15	364 538	104 535
Current Portion of Ex Gratia Benefits - Refer to Note 15	115 321	171 854
Provision for staff Staff Leave	1 650 293	1 681 681
Provision for Performance Bonusses	725 890	406 957
Staff Bonusses Accrued	892 739	863 634
	4 828 139	4 166 007

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
The movement in current employee benefits are reconciled as follows:		
Provision for Staff Leave		
Balance at beginning of year	1 681 681	1 389 067
Contribution to current portion	138 127	414 219
Expenditure incurred	(169 515)	(121 605)
	1 650 293	1 681 681

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Provision for Performance Bonusses

Balance at beginning of year	406 957	-
Contribution to current portion	318 933	406 957
Expenditure incurred	-	-
	725 890	406 957

Staff Bonuses Accrued

Balance at beginning of year	863 564	757 372
Contribution to current portion	1 843 875	1 581 414
Expenditure incurred	(1 814 700)	(1 475 222)
	892 739	863 564

Bonuses are being paid to all permanent municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.

12. FINANCE LEASE OBLIGATION**Minimum lease payments due**

- within one year	77 540	47 382
- in second to fifth year inclusive	94 717	109 450
	172 257	156 832
less: future finance charges	(14 678)	(16 465)
Present value of minimum lease payments	157 579	140 367
 Non-current liabilities	 90 170	 101 367
Current liabilities	67 409	39 000
	157 579	140 367

Refer to Appendix A for the detailed capitalised lease liability.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
13. TRADE AND OTHER PAYABLES		
Trade payables	5 467 616	3 510 376
Roads - sundry creditors	1 838 375	1 701 870
Debtors with credit balances	83 836	94 540
Sundry Creditors	230 887	325 946
	7 620 714	5 632 732

Payables are being recognised net of any discounts.

Payables are being paid within 30 days of receipt of invoice or statement as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. Interest and penalties on late payments may arise if payment is not done within 30 days.

The carrying value of trade and other payables approximates its fair value.

14. EMPLOYEE BENEFIT OBLIGATIONS

The amounts recognised in the Statement of Financial Position are as follows:

Carrying value

Post Retirement Benefits	(6 951 504)	(7 402 810)
Roads Post-Retirement Benefits	(8 056 277)	(8 018 992)
Roads Long Service Awards	(1 126 617)	(1 106 147)
Long Service Awards Other	(627 731)	(568 283)
Ex Gratia Roads	(332 659)	(355 369)
	(17 094 788)	(17 451 601)

Post Retirement Medical Aid Benefits

Opening balance	16 359 148	16 865 504
Contribution for the year	349 850	384 197
Interest Cost	1 494 038	1 497 252
Expenditure for the year	(895 261)	(805 992)
Actuarial (Gain) / Loss	(1 220 637)	(1 581 813)
Less: Transfer of Current Portion - Refer to Note 12	(1 079 358)	(937 346)
	15 007 780	15 421 802

Long Service Awards

Opening balance	1 778 965	1 748 137
Contribution for the year	157 642	126 940
Interest cost	145 753	134 119
Expenditure for the year	(84 479)	(263 747)
Actuarial Loss/(Gain)	121 005	33 516
Less: Transfer of Current Portion - Refer to Note 12	(364 538)	(104 535)
	1 754 348	1 674 430

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R
Ex-Gratia Benefits		
Opening balance	527 223	513 999
Interest Cost	38 555	38 083
Expenditure for the year	(83 708)	-
Actuarial (Gain)	(34 090)	(24 859)
Less: Transfer of Current Portion - Refer to Note 12	(115 321)	(171 854)
	332 659	355 369
TOTAL NON-CURRENT EMPLOYEE BENEFITS		
Opening balance	18 665 336	19 127 640
Contribution for the year	507 492	511 137
Interest cost - Refer to Note 23	1 678 346	1 669 454
Expenditure for the year	(1 063 448)	(1 069 739)
Actuarial Gain for the year	(1 133 722)	(1 573 156)
Transfer of Current portion - Note 12	(1 559 217)	(1 213 735)
	17 094 787	17 451 601

CENTRAL CAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	23	27
In-service (employee) non-members	105	100
Continuation members (e.g. Retirees, widows, orphans)	27	25
Total Members	155	152

The liability in respect of past service has been

In-service members	4 632 536	6 098 435
In-service (employee) non-members	328 133	336 082
Continuation members	11 126 469	9 924 631
Total Liability	16 087 138	16 359 148

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 Rm	2015 Rm	2014 Rm
Total Liability	16.866	15.552	13.895

Experience adjustments were calculated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	1.453	0.791	0.353
Assets: Gain / (loss)	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth - Hosmed.

Key actuarial assumptions used:

	2018 %	2017 %
i) Rate of interest		
Discount rate	9.35%	9.40%
Health Care Cost Inflation Rate	7.25%	7.73%
Net Effective Discount Rate	1.96%	1.55%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

	2018 R	(Restated) 2017 R
The amounts recognised in the Statement of Financial Position are		
Present value of fund obligations		
PEMA	16 087 138	16 359 148
LSA	2 118 886	1 778 965
Ex-Gratia	447 980	527 223
Total Liability	18 654 004	18 665 336

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

CENTRAL CAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2018
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of present value of fund obligation (PEMA):

Present value of fund obligation at the beginning of the year	16 359 148	16 865 504
Total expenses	948 627	1 075 457
Current service cost	349 850	384 197
Interest Cost	1 494 038	1 497 252
Benefits Paid	(895 261)	(805 992)
Actuarial (Gains)/Losses	(1 220 637)	(1 581 813)
Present value of fund obligation at the end of the year	16 087 138	16 359 148
Less Transfer of Current Portion - Note 4	(1 079 358)	(937 346)
Non - current portion	15 007 780	15 421 802

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		4.961	11.126	16.087	
Health care inflation	1%	5.492	11.574	17.066	6%
Health care inflation	-1%	4.314	10.594	14.909	-7%
Discount rate	1%	4.236	10.260	14.496	-10%
Discount rate	-1%	5.871	12.137	18.008	12%
Post-retirement mortality	-1yr	5.104	11.524	16.628	3%
Average retirement age	-1yr	5.301	11.126	16.428	2%
Withdrawal Rate	-10%	3.772	11.126	14.899	-7%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		349 900	1 494 000	1 843 900	
Health care inflation	1%	380 100	1 581 600	1 961 700	6%
Health care inflation	-1%	308 800	1 383 200	1 692 000	-8%
Discount rate	1%	295 200	1 476 000	1 771 000	-4%
Discount rate	-1%	419 400	1 508 600	1 928 000	5%
Post-retirement mortality	-1yr	359 700	1 545 600	1 905 300	3%
Average retirement age	-1yr	342 600	1 539 000	1 881 600	2%
Withdrawal Rate	-10%	288 200	1 409 000	1 697 200	-8%

14.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

Roads	97	96
Other	31	31

As at year end, the following number of employees were eligible for Long Service Bonuses.

	2017	(Restated) 2016
	128	127

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.51%	8.44%
General Salary Inflation (long-term)	6.14%	6.26%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.23%	2.05%

CENTRAL CAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 R
The amounts recognised in the Statement of Financial Position are		
Present value of fund obligations	2 188 886	1 778 965
Net liability	1 778 965	1 778 965

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
Total Liability	1 748 137	1 918 246	1 689 337

Experience adjustments were calculated as follows:	2016	2015	2014
Liabilities: (Gain) / loss	(54 603)	62 414	21 793
Assets: Gain / (loss)	-	-	-

Reconciliation of present value of fund obligation (LSA):

Present value of fund obligation at the beginning of the year	1 778 965	1 748 137
Total expenses	218 916	(2 688)
Current service cost	157 642	126 940
Interest Cost	145 753	134 119
Benefits Paid	(84 479)	(263 747)
Actuarial losses	121 005	33 516
Present value of fund obligation at the end of the year	2 118 886	1 778 965
Less Transfer of Current Portion - Note 4	(364 538)	(104 535)
Non-current portion	1 754 348	1 674 430

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		2.119	
General Salary inflation	+1%	2.242	6%
General Salary inflation	-1%	2.006	-5%
Discount rate	+1%	2.002	-6%
Discount rate	-1%	2.249	6%
Average retirement age	-2yr	1.881	-11%
Average retirement age	2yr	2.309	9%
Withdrawal Rate	-50%	2.413	14%

Assumption	Change	Current- service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		157 600	145 800	303 400	
Health care inflation	1%	170 400	155 200	325 600	7%
Health care inflation	-1%	146 200	137 100	283 300	-7%
Discount rate	1%	147 200	153 000	300 200	-1%
Discount rate	-1%	169 500	137 300	306 800	1%
Post-retirement mortality	-2yr	143 300	129 500	272 800	-10%
Average retirement age	2yr	175 600	163 100	338 700	12%
Withdrawal Rate	-50%	200 300	168 400	368 700	22%

CENTRAL CAROO DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2018
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14.3 Ex - Gratia Benefits

The Ex - Gratia plans are defined benefit plans.

Roads

As at year end, the following number of employees were eligible for Ex - Gratia benefits.

2018 R	(Restated) 2017 R
9	11
9	11

Key actuarial assumptions used:

i) Rate of interest

Discount rate

Benefit increase rate (CPI inflation)

Net Effective Discount Rate

2018 R	2017 %
8.96%	8.70%
5.52%	5.52%
3.26%	3.02%

Reconciliation of present value of fund obligation (Ex-Gratia):

Present value of fund obligation at the beginning of the year

Total expenses

Interest Cost

Benefits Paid

Actuarial (gains)/losses

Present value of fund obligation at the end of the year

Less Transfer of Current Portion - Note 4

Non-current portion

2018 R	(Restated) 2017 R
527 223	513 999
(45 153)	38 083
38 555	38 083
(83 708)	-
(34 090)	(24 859)
447 980	527 223
(34 090)	(171 854)
413 890	355 369

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption

Central assumptions

Benefit Increase rate

Benefit Increase rate

Discount rate

Discount rate

Average retirement age

Change	Liability (R)	% change
	447 980	
+1%	461 366	3%
-1%	435 235	-3%
+1%	435 740	-3%
-1%	461 058	3%
-1yr	458 034	2%

Assumption

Central Assumption

Pension increase rate

Pension increase rate

Discount rate

Discount rate

Average retirement age

Withdrawal Rate

Change	Total Interest Cost (R)	% change
	38 555	
1%	40 087	4%
-1%	37 102	-4%
1%	41 445	7%
-1%	35 436	-8%
-1yr	39 411	2%
-50%	38 777	1%

14.4 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claimed that the pensioner data is confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2018 R	(Restated) 2017 R
<u>CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT</u>		
The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2016		
Contributions paid recognised in the Statement of Financial Performance	3 193 472	3 898 463
<u>CONSOLIDATED PENSION FUND FOR LOCAL GOVERNMENT</u>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in an sound financial position with a funding level of 99.70% (30 June 2015 - 99.40%). Whilst this has increased since the previous actuarial valuations it is still within the Registrar's normally acceptable range of at least a 95%		
Contributions paid recognised in the Statement of Financial Performance	102 008	143 057
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
<u>SAMWU PROVIDENT FUND</u>		
The contribution rate payable is 7.50% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2015 - 100%). funding level, provided that the previous statutory valuation reflected at least a 100% funding level.		
Contributions paid recognised in the Statement of Financial Performance	617 822	896 742

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
15. AGENCY SERVICES		
Commission on Agency services: Department of Transport: Western Cape	3 540 601	3 328 024
<p>The municipality has a service level agreement with the Department of Transport Western Cape for rendering of services regarding the roads function within its area. The commission is calculated at a pre-determined rate.</p>		
16. REVERSAL OF IMPAIRMENT		
Trade Receivables from non-exchange transactions	-	224 432
Property Plant and Equipment	58 304	-
17. OPERATIONAL REVENUE		
Commission	33 144	17 323
Insurance Claims	352	96 250
LG Seta admin fee	-	51 071
Milk Sales	23 364	185 548
Samples: Milk and Water	4 019	9 320
Ramms Admin fee	95 850	77 945
Samples: Milk and Water	64 854	53 233
Sundry Income	2 163	1 284
	223 746	491 974

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
18. GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
Government Grants and Subsidies - Operational	30 818 037	27 796 485
Capital grants		
Government Grants and Subsidies - Capital	991 224	882 942
	31 809 261	28 679 427
Conditional and Unconditional Government Grants:		
Unconditional grants received	22 595 000	19 416 000
Conditional grants received	9 214 261	9 259 773
	31 809 261	28 675 773
Revenue recognised per vote as required by Section 123(c) of the MFMA		
Equitable share	22 595 000	19 416 000
Public Safety	1 277 409	964 572
Executive and Council	2 714 279	1 670 515
Budget and Treasury	3 558 263	4 056 507
Corporate Services	302 000	2 368 179
Planning and Development	-	200 000
	31 809 261	28 675 773
Conditions still to be met - remain liabilities (see note 5).		
Western Cape Provincial Grants to the amount of R1 541 826 remained unspent as at 30 June 2018.		
The grants relate mainly to multi-year projects.		
Approval for the roll-over of R795 269 in terms of the Western Cape Ground Water Monitoring project was received post-year end during August 2018.		
The balance of the roll-over applications will be submitted as required by legislation on 31 August 2018..		
Equitable share		
Grants received	22 595 000	19 416 000
Conditions met - Operating	(22 595 000)	(19 416 000)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury..

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R
Local Government Financial Management Grant (FMG)		
Opening balance	-	(2 068)
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 250 000)	(1 247 932)
	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Doringveld Project

Balance unspent at beginning of year	(882 449)	(229 849)
Grants received	247 311	465 016
Conditions met - Operating	(247 311)	(1 117 616)
	<u>(882 449)</u>	<u>(882 449)</u>

Grant utilised for the eradication of alien vegetation. The Municipality is in talks with the National Department of Environmental Affairs to recover the balance.

Other Grants

Balance unspent at beginning of year	801 311	(78 765)
Grants received	9 164 614	7 833 300
Conditions met - Operating	(6 726 176)	(6 011 282)
Repayment to National Revenue Fund	-	(59 000)
Conditions met - Capital	(991 224)	(882 942)
	<u>2 248 425</u>	<u>801 311</u>

Various grants were received from other spheres of government.

Refer to Appendix E for the detailed disclosure of Grants and Subsidies.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
19. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	27 306 674	24 988 447
Bonuses	2 168 765	1 988 441
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6 546 018	5 708 358
Overtime payments	1 107 877	417 250
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 584 291	1 097 580
Contribution to provision - Long Service Awards	127 776	257 461
Housing Benefits and Allowances	269 191	249 859
Leave Provision	176 747	400 592
Contribution to provision - Post Retirement Medical	79 243	(13 224)
	39 366 582	35 094 764
Remuneration of Municipal Manager		
Annual Remuneration	864 424	986 465
Motor Vehicle Allowance	360 000	360 000
Performance Bonuses	-	42 272
Telephone allowance	45 000	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	31 751	29 848
Other	47 751	-
	1 348 926	1 436 585
Remuneration of the Chief Financial Officer		
Annual Remuneration	556 184	185 420
Motor Vehicle Allowance	161 955	27 663
Telephone allowance	12 000	4 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	140 669	44 081
Other benefits and allowances	80 597	-
	951 405	261 164
Remuneration of Manager: Corporate Services		
Annual Remuneration	622 638	116 686
Travelling allowance	120 000	30 000
Telephone allowance	12 000	4 000
Contributions - UIF, Medical, Pension	104 171	27 938
Other Benefits and Allowances	84 625	-
	943 434	178 624
Remuneration of Manager: Technical Services		
Annual Remuneration	509 879	816 425
Travel allowance	58 333	100 000
Performance Bonuses	-	35 591
Telephone allowance	2 800	4 000
Contributions - UIF, Medical, Pension	122 138	196 153
	693 150	1 152 169

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R
20. REMUNERATION OF COUNCILLORS		
Executive Major	582 304	580 385
Executive Committee Members	1 024 287	974 580
Councillors	1 943 455	1 650 638
	3 550 046	3 205 603
In-kind benefits		
The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.		
21. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	501 945	315 998
Intangible assets	24 864	12 007
	526 809	328 005
22. IMPAIRMENT OF ASSETS		
Impairments		
Property, plant and equipment	47 636	-
Due to wear and tear the condition of Property, Plant and Equipment was re-evaluated.		
23. FINANCE COSTS		
Employee benefits	856 391	1 669 454
Less: Employee benefits transferred to Roads	(821 955)	(823 630)
Finance leases	14 916	11 438
	49 352	857 262

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R
24. GENERAL EXPENSES		
Accounting Services	1 274 341	1 724 854
Administration costs	4 043 250	-
Advertising	55 591	88 476
Auditors remuneration	2 425 171	2 344 032
Awareness days	-	21 978
Bank charges	5 559	11 510
Computer expenses	558 123	465 789
Consulting and professional fees	91 183	77 403
Electricity, Water and Sanitation	621 290	495 646
Enterprise Management System	812 402	499 362
Entertainment	29 459	38 832
Entertainment: Mayor	11 276	229 235
Entertainment: Speaker	-	26 175
Entertainment: Deputy Mayor	-	2 332
Extended Public Works Program	-	27 133
FMG Grant Expenditure - General	275 669	-
Fire Extinguishers	12 043	10 352
Fuel and oil	48 917	21 781
Household Expenses	36 526	36 096
Implement Projects	5 463	71 782
Insurance	127 911	122 436
Integrated Development Plan: Economic	-	2 975
Internal Auditing	198 303	401 213
Inventory used -Department of Roads	2 592 583	1 231 341
Legal Expenses	97 368	2 750
Membership Fees	506 330	534 965
Milk Powder	-	158 593
Penalties & Interest SARS	72 963	6 304
Performance Management	101 836	564 865
Printing and stationery	317 216	171 995
Public Functions	51 635	106 684
Rates	145 251	156 690
Registration and Congress Fees	28 565	34 256
Rent	-	8 575
Rent Equipment	-	1 102
Samples: Milk, Water and Food	199 141	35 146
Study support & bursaries	44 589	148 584
Sundry Expenditure	523 830	329 042
Sundry Projects	3 592 201	4 470 889
Telephone and Fax	574 163	576 252
Training	48 078	79 997
Training Fund	578 993	260 760
Travel and Subsistence	1 204 961	1 915 616
Travel and Subsistence: Council	749 248	523 541
Vehicle licences	6 012	-
Western Cape Grant Expenditure	1 593 571	-
Workmen's Compensation Contributions	252 699	589 107
	23 913 710	18 626 446

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
25. SETTLEMENT BY NATIONAL TREASURY		
The auditor General - Audit fees over and above 1% contributed by National Treasury	1 439 698	1 612 946
As per GRAP 23 par 99-107 the above transactions are regarded as services in kind.		
26. AUDITORS' REMUNERATION		
Fees	2 425 171	2 344 032
27. CASH GENERATED FROM (USED IN) OPERATIONS		
(Deficit) surplus	(46 919)	926 789
Adjustments for:		
Depreciation and amortisation	526 809	328 005
Loss on disposal of assets and liabilities	15 885	47 128
PPE donations	(471 000)	-
Interest on employee benefits	1 678 346	1 669 454
Reversal of impairment on PPE	(10 668)	-
Contribution to provisions (bad debt)	12 618	(224 432)
Bad debts written off	-	(114 914)
Contribution to current employee benefits	2 300 935	2 402 660
Benefits paid current employee benefits	(1 984 215)	(1 596 827)
Benefits paid non-current employee benefits	507 492	511 137
Benefits paid non-current employee benefits	(1 063 448)	(1 069 739)
Actuarial (Gains)/Losses	(1 133 722)	(1 573 156)
Non - cash movement employee benefits	249 861	283 169
Grant received	33 256 925	28 964 316
Grant expenditure	(31 725 723)	(28 675 773)
Changes in working capital:		
Inventories	137 456	(2 013)
Receivables from exchange transactions	2 502 558	(4 543 191)
Trade and other payables	1 988 448	1 004 594
Increase in taxes	(303 512)	(269 392)
	6 438 126	(1 932 185)
28. LOAN TO CKEDA		
Controlling entity		
Opening balance	-	-
Contribution toward loan	278 794	457 424
Impairment	(278 794)	(457 424)
	-	-

The investment has no terms and conditions nor is it secured. There is also no intention to collect. The entity was deregistered on 17 April 2018. Council took a post - year end resolution to the debt off.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
29. PRIOR PERIOD ERRORS		
Corrections were made during the previous financial years. Details of the corrections are described below:		
Receivables from non-Exchange transactions		
Balance previously reported		1 994 303
Upper limits change		65 872
Restated Balance		2 060 175
Property Plant and Equipment		
Balance previously reported		7 045 385
Property Plant and Equipment previously recognised as General Expenses		3 309
Restated Balance		7 048 694
Intangible assets		
Balance previously reported		82 410
Intangible assets previously recognised as General Expenses		2 169
Restated Balance		84 579
Payables from exchange transactions		
Balance previously reported		5 273 772
Workmans compensation expense		361 465
Restated Balance		5 635 237
Remuneration of councillors		
Balance previously reported		3 205 603
Upper limits change		(65 871)
Restated Balance		3 139 732
Operational Expenses		
Balance previously reported		18 272 636
Workmans compensation expense		361 466
PPE was wrongly allocated to general expenses		(7 656)
Restated Balance		18 626 446
Depreciation and Amortisation		
Balance previously reported		325 828
Correction of depreciation on assets previously recognised as General expenses		2 177
Restated Balance		328 005

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
<p>The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:</p>		
	Balance Previously reported	Restated Balance
Government Grants and Subsidies - Capital	(882 942)	-
Government Grants and Subsidies - Operating	(27 796 485)	-
Government Grants and Subsidies	-	(28 679 427)
Actuarial Gains	(1 573 156)	-
Actuarial gains/(losses)	-	(1 573 156)
National Treasury 1% Audit Fee	(1 612 946)	-
Rental of Facilities and Equipment	(71 199)	-
Interest Earned - External Investments	(503 069)	-
Interest Received	-	(503 069)
Department of Transport - Roads Service Charges	(33 429 456)	(33 429 456)
Licences and Permits	(21 183)	(21 183)
Agency Services	(3 328 024)	-
Other Income	(491 974)	-
Reversal of Debt Impairment	(224 432)	-
Rental from Fixed Asset	-	(71 199)
Operational Revenue	-	(491 974)
Reversal of Impairment	-	(224 432)
Employee Related Cost	35 094 762	35 094 762
Remuneration of Councillors	3 205 603	3 205 603
Depreciation and Amortisation	325 828	325 828
Impairments	-	-
Repairs and Maintenance	10 619 008	-
Inventory Consumed	-	7 454 331
Finance Charges	857 262	857 262
Contracted Services	295 732	612 409
General Expenses	18 272 636	-
Operational Cost	-	18 272 636
Loss on disposal of Property, Plant and Equipment	47 128	47 128
	(1 216 907)	(1 216 907)

30. UNAUTHORISED EXPENDITURE

Opening balance	2 003 611	1 373 377
Current year - Operating	1 818 881	2 003 611
Written off by council	-	(1 373 377)
	3 822 492	2 003 611

Unauthorised expenditure for the year can be summarised as follow:

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R
	Underspent/ (Overspent)	
Budget and Treasury	771 733	
Corporate Services	(1 373 370)	
Public Safety	745 690	
Executive and Council	242 356	
Health	105 119	
Planning and Development	757 180	
Road Transport	(3 067 589)	
	(1 818 881)	

31. FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	92 886	86 582
Current year	72 999	6 304
	165 885	92 886

Details of fruitless and wasteful expenditure

PAYE, UIF & SDL Interest and Penalties	47 180	6 304
VAT Interest and Penalties	14 584	-
Workmen's Compensation Interest and Penalties	11 235	-
	72 999	6 304

No criminal proceedings or disciplinary steps were taken.

32. IRREGULAR EXPENDITURE

Opening balance	12 794 185	12 419 425
Current year	-	374 760
	12 794 185	12 794 185

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
Details of irregular expenditure – current year		
Purchases made without tax clearance certificates	-	39 040
Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained	-	28 981
EPWP fraudulent payments	-	271 089
Loans granted to staff	-	35 650
	-	374 760

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Deviations from the SCM Policy and Regulations were made during the year. The deviations have been submitted to Council as required by Regulation 36(2) of the SCM Regulations.

2018	Between R30 000 and R200 000	Up to R30 000
Emergency	4 415	38 715
Impractical	4 184 925	948 434
Sole Supplier		
	4 189 340	987 149

2017	Between R30 000 and R200 000	Up to R30 000
Emergency	161 254	1 130 775
Impractical	2 734 298	806 217
Sole Supplier	305 367	-
	3 200 919	1 936 992

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		2018 R	2017 R
The ten major deviations, in total, for the current financial year were as follows:			
South Cape Petroleum (Pty) Ltd	Only alternative supplier		402 200
Engen Truckstop Beaufort West	Only supplier that we have an account with		319 842
National Garage	Only supplier that we have an account with		218 715
Laingsburg Diensstasie	Only supplier that we have an account with		206 914
Murraysburg Vulstasie	Only supplier that we have an account with		195 596
ELB Equipment, a division of ELB Equipment Holdings (Pty) Ltd	Agent for the supply of ELB Equipment part and services		169 507
Bell Equipment SA Sales Limited	Agent for the supply of Bell Equipment part and services		160 841
Komatsu South Africa (Pty)Ltd	Agent for the supply of Komatsu part and services		158 912
Klein Karoo Agri Edms Beperk	Only alternative supplier		152 673
Spot on Deals T/A Battery Centre	Only alternative supplier		137 679
			2 122 879
The ten major deviations, in total, for the previous financial year were as follows:			
South Cape Petroleum (Pty) Ltd	Only alternative supplier		1 075 965
Murraysburg Vulstasie	Only supplier that we have an account with		369 205
Bell Equipment SA Ltd	Only Agent that sells the specific parts		280 367
Koup Produsente Kooperasie Ltd	Only supplier that we have an account with		269 029
Kamkor CC t/a Donkin Motors	Only supplier that we have an account with		221 425
Victor's Garage	Only supplier that we have an account with		185 402
Barloworld Equipment, a division of Barloworld SA Pty (Ltd)	Only agent that supplies CAT Equipment		200 150
ELB Equipment, a division of ELB Equipment Holdings (Pty) Ltd	Only agent that supplies ELB Equipment		152 183
Peri Framework Scaffolding Engineering (Pty) Ltd	Only supplier of scaffoldings in the area		130 108
Laingsburg Diensstasie	Only Agent that sells the specific parts		125 261
			3 009 095

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R
33. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA		
Current year subscription / fee	475 000	534 965
Amount paid - current year	(475 000)	(534 965)
	-	-
Audit fees - [MFMA 125 (1)(b)]		
Current year subscription / fee	2 145 911	2 085 785
Amount paid - current year	(2 145 911)	(2 085 785)
	-	-
PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	417 845	-
Current year payroll deductions and Council Contributions	5 823 006	4 877 015
Amount paid - current year	(5 760 244)	(4 459 170)
	480 607	417 845
Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Current year payroll deductions and Council Contributions	5 566 497	4 938 262
Amount paid - current year	(5 566 497)	(4 938 262)
	-	-
VAT - [MFMA 125 (1)(b)]		
VAT receivable	737 801	434 289

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		2018	2017
		R	R
Councillors' outstanding debt to municipality			
The following Councillors and former Councillors had arrear amounts outstanding for more than 90 days at 30 June 2018:			
Councillor MS Hangana	-	32 414	32 414
Councillor IJ Windvogel		-	31 914
Councillor J Bostander		46 714	46 714
Councillor M Furmen		23 946	21 158
Councillor S Botes		1 753	1 753
Councillor EZ Njadu		50 453	51 802
Councillor G De Vos		15 860	16 728
Councillor S Nortjie		(1)	2 838
Councillor AD Willemse		1 990	1 990
Councillor M Jafta		-	60
Councillor J Jonas		4 615	-
Councillor T Prince		2 939	-
Councillor GP Adolph		2 511	-
Councillor N Constable		257	257
		183 451	207 628

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
34. FINANCIAL INSTRUMENTS DISCLOSURE		
In accordance with GRAP 104 the Financial Instruments of the Municipality are classified as follows:		
Financial assets		
All the Financial Instruments are at amortised cost.		
Receivables from exchange transactions	5 019 719	8 516 135
Government subsidies and grants	1 172 031	1 879 068
Call deposits	4 585 551	3 067 159
Bank balances	3 521 476	(79 958)
Cash floats and advances	1 300	1 300
	14 300 077	13 383 704

Financial liabilities

All the Financial Instruments are at amortised cost.

Non-current Capitalised Lease Liability	90 170	101 367
Trade creditors	5 427 551	3 148 911
Sundry creditors	252 487	325 946
Creditors roads	1 838 375	1 701 870
Debtors with credit balances	83 836	94 540
Government subsidies and grants	2 538 004	1 797 930
Current capitalised lease liability	67 409	39 000
	10 297 832	7 209 564

35. FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Current assets exceeded current liabilities with the current ratio being 1.18 (2018)

Current assets exceeded current liabilities with the current ratio being 1.47 (2017)

Liquidity ratio of 1.95 (2018)

Liquidity ratio of 2.11 (2017)

Accumulated surplus of R3 212 019 (2018)

Accumulated surplus of R3 258 939 (2017)

The definition of a going concern is that there is no reason to believe that an institution will have to close down or be liquidated within 12 months after the reporting date. The financial statements for this Municipality has been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.

These annual financial statements have been prepared on a going concern basis.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R

36. EVENTS AFTER THE REPORTING DATE

The Municipality has no material events after the financial year ended 30 June 2018 that requires disclosure.

37. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

38. CONTINGENCIES

An employee, Mr B Booysen, was involved in a motor vehicle accident with a third party in November 2016 while driving on the N1. The accident was made in a vehicle owned by the Western Cape Provincial Government, as a result the municipality did not have comprehensive insurance on the vehicle as the Provincial vehicles are self insured by the Western Cape Provincial Government. Unfortunately the claims department of the Western Cape Provincial Government refused to cover the damage to the vehicle. They have instituted a claim against the Municipality amounting to R11,632.33. In addition the third party has instituted a claim against the Municipality for damages to her vehicle, the matter is still being investigated in order to ascertain whether the Municipality will be accepting liability for the damages incurred.

Mr Booysen passed away on the 27 August 2017.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
39. FINANCIAL RISK MANAGEMENT		
Financial risk management		
<p>The Municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.</p> <p>The Municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.</p> <p>The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.</p>		
Foreign exchange currency risk		
The Municipality does not engage in foreign currency transactions.		
Price risk		
The Municipality's is not exposed to price risks.		
Interest rate risk		
<p>As the Municipality has interest-bearing liabilities, the Municipality's income and operating expenditure are substantially dependent on changes in market interest rates.</p> <p>The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.</p> <p>The Municipality did not hedge against any interest rate risks during the current year.</p>		
Cash and Cash Equivalants	8 108 327	2 988 501
Long Term Finance Lease Obligation	(90 170)	(101 367)
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
1% (2016 + 0.5%) Increase in interest rates	80 182	28 871
0.5% (2016 - 0.5%) Decrease in interest rates	(40 091)	(14 436)

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
--	-----------	-----------

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash or the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term liabilities	77 539	94 717	-	-
- Capital repayments	67 408	90 170	-	-
- Interest	10 131	4 547	-	-
Trade and other payables	7 620 714	-	-	-
Unspent conditional government grants and receipts	2 538 552	-	-	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term liabilities	47 382	109 450	-	-
- Capital repayments	39 000	101 367	-	-
- Interest	8 382	8 083	-	-
Trade and other payables	5 632 733	-	-	-
Unspent conditional government grants and receipts	1 797 930	-	-	-

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018	2017
	R	R
Credit risk		
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.		
Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.		
No receivables are pledged as security for financial liabilities.		
The municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure disclosed below.		
The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.		
The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.		
Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment.		
The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.		
Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment.		
Financial assets exposed to credit risk at year end are as follows:		
	2018	2017
Receivables from non-exchange transactions	2 878 076	2 060 174
Cash and Cash Equivalents	8 108 327	2 988 501
Unpaid conditional grants and subsidies	1 172 031	1 879 068
Revenue from exchange transaction	3 109 925	6 443 003

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018 R	2017 R
--	-----------	-----------

40. BUDGET VS ACTUAL INFORMATION

Explanation of variances between approved and final budget amount

STATEMENT OF FINANCIAL PERFORMANCE

A - Acceptable difference.

B - 5% Due to differences in financial periods of Municipality and the Western Cape Department of Roads.

C - (8%) Increased expenditure in Roads Department during March, April and May impacted cash balances of Municipality, resulting in lower interest received.

D - (8%) Applications are done on an Ad Hoc basis and are influenced by economic activity in the area.

E - (44%) Milk Sales decreased as Clinic vacated premises during July 2017.

F - 100% Clinic vacated property donated to Municipality.

G - (13%) No rental agreement entered into with third party with regards to the old CKEDA premises.

H - 100% Prince Albert Depot revaluation

I - (10%) Unspent conditional grants at year end due to grants received late in the year and envisioned audit fee accrual was less than expected.

J - 4% Staff vacancies. Early retirement of Director: Technical Services.

K - (1%) Acceptable.

L - (27%) Variance due to reclassification of Repairs and Maintenance and overspending of Roads budget.

M - (36%) Impact on depreciation due to grant funded vehicles.

N - (100%) CKEDA impairment not budgeted for.

O - (100%) Impact of actuarial changes on employee benefits underestimated.

Q - (38%) Variance due to reclassification of Repairs and Maintenance and also to overspending of Roads Budget.

R - (100%) Vehicle written off.

S - 100% Impact of actuarial changes in terms of employee benefits underestimated.

T - (29%) Costs of audit fees overestimated based on prior period costs.

STATEMENT OF FINANCIAL POSITION & CASH FLOW STATEMENT

Balance sheet budget preparation was negatively influenced by MSCOA as opening balances were not fully in MSCOA format when budget was done.

Impact of unexpected variances in actuarial calculations in terms of employee benefits resulted in additional variances.

Overspending in Roads Departments operating budget impacted Statement of Financial Position variances.

CENTRAL KAROO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTIES**Related Party transactions with the Central Karoo Economic Development Agency.**

Additions to loan	278 794	457 454
Impairment of loan	(278 794)	(457 454)

Included in other receivables are outstanding money(s) to be recovered from Councillors, and Mayor, due upper limits changes and travel and lodging claimed, but not spent:

Councillor MS Hanganana	32 414	32 414
Councillor IJ Windvogel	-	31 914
Councillor J Bostander	46 714	46 714
Councillor M Furmen	23 946	21 158
Councillor S Botes	1 753	1 753
Councillor/EZ Njado	50 453	51 802
Councillor G de Vos	15 860	16 728
Councillor S Nortjie	(1)	2 838
Councillor AD Willemse	1 990	1 990
Councillor M Jafta	-	60
Councillor J Jonas	4 615	-
Councillor T Prince	2 939	-
Councillor GP Adolph	2 511	-
Councillor N Constable	257	-

Related party loans

The following are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director of Central Karoo District Municipality:

- Municipal Manager

Compensation of key management personnel

The compensation of key management personnel is set out in note 19 to the Annual Financial Statements.

42. DISCONTINUED OPERATIONS

The municipality has decided to discontinue with the operations of the Central Karoo Economic Development Agency (Pty) Ltd in the 2016/2017 financial year.

Expenditure relating to the compilation of the 2016/2017 Annual Financial Statements was incurred to the amount of R278 794 and the amount is included in the Audit fees in note 23.

The Board of Directors took a resolution to deregister CKEDA on 17 April 2018.

APPENDIX A
CENTRAL KAROO DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 June 2017	Received during the period	Redeemed written off during the period	Balance at 30 June 2018
LEASE LIABILITY						
Richo MP 301 SP	13.00%	30/06/2019	6 346	-	2 936	3 410
Ricoh MPC 2003 SP	13.00%	21/03/2021	53 863	-	13 971	39 892
Ricoh MPC 6003 SP	13.00%	26/09/2020	80 158	-	22 094	58 064
Nashau E 337M320248	10.50%	31/06/2020	-	15 464	4 222	11 242
Nashua E 337M320229	10.50%	31/06/2020	-	15 464	4 222	11 242
Nashua E 337M320249	10.50%	31/06/2020	-	15 464	4 222	11 242
Nashau E 337M320230	10.50%	31/06/2020	-	15 464	4 222	11 242
Nashua E 337M320252	10.50%	31/06/2020	-	15 464	4 222	11 242
TOTAL EXTERNAL LOANS			140 367	77 322	60 110	157 579

APPENDIX B - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL VOTES CLASSIFICATION

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
5 867 214	(4 316 127)	1 551 086	Municipal Manager	2 810 129	(6 214 526)	(3 404 397)
5 474 698	(4 879 635)	595 063	Council general expenses	15 064 000	(4 822 340)	10 241 660
16 944 756	(13 850 497)	3 094 259	Financial services	12 647 344	(12 726 491)	(79 147)
4 702 228	(4 838 330)	(136 102)	Corporate services	6 111 459	(8 758 040)	(2 646 581)
200 000	(1 807 890)	(1 607 890)	Planning and development	1 362 310	(2 724 210)	(1 361 900)
30 503	(2 446 212)	(2 415 709)	Health	36 079	(3 245 137)	(3 209 058)
2 317 785	(2 371 144)	(53 359)	Other	-	-	-
964 572	(1 065 097)	(100 525)	Public safety	1 277 409	(1 241 158)	36 251
33 429 456	(33 486 149)	(56 693)	Road transport	42 478 676	(42 101 957)	376 719
69 931 212	(69 061 081)	870 131	Total	81 787 406	(81 833 859)	(46 453)

APPENDIX C - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
7 706 278	(9 195 762)	(1 489 484)	Executive and council	17 874 129	(11 036 866)	6 837 263
13 764 320	(9 963 186)	3 801 134	Budget and treasury	12 647 344	(12 726 491)	(79 147)
13 836 083	(11 096 785)	2 739 298	Corporate Services	6 111 459	(8 748 040)	(2 636 581)
200 000	(1 807 890)	(1 607 890)	Planning and Development	1 362 310	(2 734 210)	(1 371 900)
30 503	(2 446 212)	(2 415 709)	Health	36 079	(3 245 137)	(3 209 058)
964 572	(1 065 097)	(100 525)	Public Safety	1 277 409	(1 241 158)	36 251
33 429 456	(33 486 149)	(56 693)	Road Transport	42 478 676	(42 101 957)	376 719
69 931 212	(69 061 081)	870 131	Total	81 787 406	(81 833 859)	(46 453)

APPENDIX D - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2018
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Error	Additions	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals/ Impairment	Closing Balance	
Executive and council	1 804 700	-	585 892	-	2 390 591	725 210	-	73 544	16 177	814 931	1 575 660
Finance and administration	3 298 180	7 656	300 157	(140 000)	3 465 992	1 931 069	2 177	143 611	(24 363)	2 052 494	1 413 497
Public safety	3 900 693	-	891 984	-	4 792 676	1 513 653	-	234 172	1 312	1 749 137	3 043 539
Planning and development	17 455	-	-	-	17 455	12 385	-	847	140	13 371	4 084
Road transport	3 375 538	-	5 713	-	3 381 251	1 142 923	-	60 546	(48 099)	1 155 370	2 225 881
Environmental protection	178 554	-	22 767	-	201 321	122 086	-	14 090	3 657	139 833	61 488
	12 575 119	7 656	1 806 512	(140 000)	14 249 286	5 447 326	2 177	526 810	(51 176)	5 925 137	8 324 150

APPENDIX E - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2017	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
<u>National Government Grants</u>								
Equitable Share	-	22 595 000	-	(22 595 000)	-	-	-	-
Finance Management Grant	-	1 250 000	-	(1 250 000)	-	-	-	-
EPWP	(250 853)	1 095 000	-	(1 114 999)	-	(270 852)	-	(270 852)
Rural Asset Management Grant (RAMS)	4 360	1 917 000	-	(1 940 088)	-	(18 728)	-	(18 728)
Total National Government Grants	(246 493)	26 857 000	-	(26 900 087)	-	(289 580)	-	(289 580)
<u>Provincial Government Grants</u>								
FMG - PMS	21 209	-	-	-	-	21 209	21 209	-
FMG - MSCOA TRAINING	293 775	-	-	(293 775)	-	-	-	-
FMG - Improvement of Service Level Standards	100 000	-	-	(100 000)	-	-	-	-
FMG - Improvement of Assurance Function	350 000	-	-	(350 000)	-	-	-	-
FMG - Training re Performance Reporting	124 796	-	-	(124 796)	-	-	-	-
FMG - Capacity Building Bursary Fund	5 044	-	-	(5 044)	-	-	-	-
FMG - ICT Internship	45 031	-	-	(45 031)	-	-	-	-
Drought Relief Support	218 370	-	-	(211 452)	-	6 918	6 918	-
Fire Brigade Capacity Building	417 058	-	-	-	(272 745)	144 313	144 313	-
Fire Brigade Capacity Building	-	800 000	-	-	(718 479)	81 521	81 521	-
Disaster management	-	70 000	-	(70 000)	-	-	-	-
Ground Water Level Monitoring	-	800 000	-	(4 731)	-	795 269	795 269	-
FMG Graduate Internship Programme	-	66 000	-	(14 660)	-	51 340	51 340	-
FMG Capacity building grant (Bursaries)	-	240 000	-	(193 192)	-	46 808	46 808	-
WCFMSG Internal Audit and Risk Management	-	395 000	-	-	-	395 000	395 000	-
WCFMSG Improvement and alignment of SDBIP & Budget Monitoring	-	200 000	-	(200 000)	-	-	-	-
WCFMSG Grap Compliant AFS, Audit files & training	-	500 000	-	(500 000)	-	-	-	-
WCFMSG Improvement of assurance service	-	200 000	-	(200 000)	-	-	-	-
WCFMSG Mscoa	-	280 000	-	(280 000)	-	-	-	-
WCFMSG Caseware	-	200 000	-	(200 000)	-	-	-	-
Total Provincial Government Grants	1 575 283	3 751 000	-	(2 792 681)	(991 224)	1 542 378	1 542 378	-
<u>Other Grant Providers</u>								
CHIETA	218 286	1 033 614	-	(575 955)	-	675 945	675 945	-
LG SETA	(745 766)	1 368 000	-	(302 000)	-	320 234	320 234	-
Doring veld Project	(882 449)	247 311	-	(247 311)	-	(882 449)	-	(882 449)
Total Other Grant Providers	(1 409 929)	2 648 925	-	(1 125 266)	-	113 730	996 179	(882 449)
Total Grants	(81 139)	33 256 925	-	(30 818 034)	(991 224)	1 366 528	2 538 557	(1 172 029)

MUN - Reconciliation of Table A1 Budget Summary

Description	2017/18							2016/17
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
R thousands								
Financial Performance								
Property rates	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-
Investment revenue	550	10	560	513	(47)	91.6%	93.3%	503
Transfers recognised - operational	26 905	9 661	36 566	31 809	(4 757)	87.0%	118.2%	27 793
Other own revenue	45 021	(626)	44 396	49 465	5 069	111.4%	109.9%	40 752
Total Revenue (excluding capital transfers and contributions)	72 477	9 045	81 522	81 787	-	100.3%	0.0%	69 048
Employee costs	37 598	3 739	41 337	39 367	(1 971)	95.2%	104.7%	34 968
Remuneration of councillors	4 204	(314)	3 890	3 550	(340)	91.3%	84.4%	3 140
Debt impairment	-	-	-	-	-	-	-	-
Depreciation & asset impairment	251	136	387	527	140	136.2%	210.3%	326
Finance charges	-	-	-	871	871	0.0%	0.0%	857
Materials and bulk purchases	215	(141)	75	-	(75)	0.0%	0.0%	-
Transfers and grants	-	772	772	-	(772)	0.0%	0.0%	-
Other expenditure	29 514	4 657	34 172	37 519	3 347	109.8%	127.1%	29 770
Total Expenditure	71 782	8 850	80 632	81 834	1 202	0.0%	114.0%	69 061
Surplus/(Deficit)	694	195	889	(46)	(936)	0.0%	-6.7%	(13)
Transfers recognised - capital	800	-	800	-	(800)	0.0%	0.0%	883
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1 494	195	1 689	(46)	(1 736)	-2.7%	-3.1%	870
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	0.0%	-
Surplus/(Deficit) for the year	1 494	195	1 689	(46)	(1 736)	-2.7%	0.0%	870
Capital expenditure & funds sources								
Capital expenditure	1 155	340	1 495	1 336	(159)			
Transfers recognised - capital	902	358	1 260	895	(365)	71.0%	99.2%	883
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	253	(18)	235	441	206	187.6%	174.1%	173
Total sources of capital funds	1 155	340	1 495	1 336	(159)	0.0%	115.7%	1 056
Cash flows								
Net cash from (used) operating	1 494	195	1 689	6 717	5 028	397.6%	449.5%	(1 478)
Net cash from (used) investing	(1 846)	(340)	(2 186)	1 614	3 800	-73.9%	-87.5%	(1 521)
Net cash from (used) financing	-	-	-	(17)	(17)	-	-	(101)
Cash/cash equivalents at the year end	8 032	(145)	7 887	8 108	222	102.8%	101.0%	2 989

MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2017/18							2016/17
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
	1	2	3	4	6	7	8	12
Revenue - Standard								
Governance and administration	33 471	6 180	39 651	36 633	(3 018)	-7.6%	109.4%	35 307
Executive and council	24 752	(5 650)	19 102	17 874	(1 228)	-6.4%	72.2%	7 706
Finance and administration	7 819	12 729	20 549	18 759	(1 790)	-8.7%	239.9%	13 764
Internal audit	900	(900)	-	-	-	-	-	13 836
Community and public safety	835	1 516	2 351	1 313	(1 038)	-44.1%	157.2%	995
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	800	1 505	2 305	1 277	(1 028)	-44.6%	159.7%	965
Housing	-	-	-	-	-	-	-	-
Health	35	11	46	36	(10)	-21.4%	102.0%	31
Economic and environmental services	38 970	1 349	40 319	43 841	3 522	8.7%	112.5%	33 629
Planning and development	-	-	-	1 362	1 362	-	-	200
Road transport	38 970	1 349	40 319	42 479	2 160	5.4%	109.0%	33 429
Environmental protection	-	-	-	-	-	-	0.0%	-
Trading services	-	-	-	-	-	-	0.0%	-
Electricity	-	-	-	-	-	-	0.0%	-
Water	-	-	-	-	-	-	0.0%	-
Waste water management	-	-	-	-	-	-	0.0%	-
Waste management	-	-	-	-	-	-	0.0%	-
Other	-	-	-	-	-	-	0.0%	-
Total Revenue - Standard	73 277	9 045	82 322	81 787	(534)	-0.6%	111.6%	69 931
Expenditure - Standard								
Governance and administration	24 552	7 553	32 105	32 511	407	1.3%	132.4%	30 617
Executive and council	7 805	1 930	9 735	10 622	887	9.1%	136.1%	9 262
Finance and administration	16 746	5 534	22 280	21 475	(806)	-3.6%	128.2%	21 356
Internal audit	-	89	89	414	325	364.4%	0.0%	-
Community and public safety	4 396	939	5 335	4 486	(848)	-15.9%	102.1%	3 511
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	950	1 037	1 987	1 241	(746)	-37.5%	130.7%	1 065
Housing	-	-	-	-	-	-	-	-
Health	3 446	(98)	3 348	3 245	(103)	-3.1%	94.2%	2 446
Economic and environmental services	42 818	343	43 161	44 836	1 675	3.9%	104.7%	34 933
Planning and development	2 350	(407)	1 943	2 734	791	40.7%	116.4%	1 808
Road transport	40 468	750	41 218	42 102	884	2.1%	104.0%	33 125
Environmental protection	-	-	-	-	-	-	-	-
Trading services	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
Other	18	15	32	-	(32)	-	-	-
Total Expenditure - Standard	71 782	8 850	80 632	81 834	1 234	1.5%	104.0%	69 061
Surplus/(Deficit) for the year	1 494	195	1 689	(46)	(1 768)	-104.6%	0.0%	870

MUN - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2017/18							2016/17
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
Revenue by Vote								
Vote 1 - Municipal Manager	25 652	(6 550)	19 102	19 236	–	0.0%	0.0%	7 906
Vote 2 - Finance	3 272	10 852	14 124	12 647	–	0.0%	0.0%	13 764
Vote 3 - Corporate Services	5 383	3 394	8 776	7 425	–	0.0%	0.0%	14 831
Vote 4 - Technical Services	38 970	1 349	40 319	42 479	–	0.0%	0.0%	33 429
Total Revenue by Vote	73 277	–	82 322	81 787	–	0.0%	0.0%	69 931
Expenditure by Vote to be appropriated								
Vote 1 - Municipal Manager	11 751	(227)	11 524	13 771	–	0.0%	0.0%	11 070
Vote 2 - Finance	10 890	2 890	13 781	12 726	–	0.0%	0.0%	9 963
Vote 3 - Corporate Services	10 271	5 352	15 623	13 234	–	0.0%	0.0%	14 904
Vote 4 - Technical Services	38 870	834	39 704	42 102	–	0.0%	0.0%	33 125
Total Expenditure by Vote	71 782	–	80 632	81 834	–	0.0%	0.0%	69 061
Surplus/(Deficit) for the year	1 494	–	1 689	(46)	–	0.0%	0.0%	870

MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2017/18							2016/17
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
	1	2	3	4	6	7	8	12
Revenue By Source								
Property rates	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-
Service charges - water revenue	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	-
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	72	28	100	87	(13)	87.1%	121.0%	71
Interest earned - external investments	550	10	560	513	(47)	91.6%	93.3%	503
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	32	32	-	-	21
Agency services	3 418	120	3 539	3 541	2	100.1%	103.6%	3 328
Transfers recognised - operational	26 905	9 661	36 566	31 809	(4 757)	87.0%	118.2%	27 793
Other revenue	41 531	(774)	40 757	45 805	5 048	112.4%	110.3%	37 332
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	72 477	-	81 522	81 787	266	100.3%	112.8%	69 048
Expenditure By Type								
Employee related costs	37 598	3 739	41 337	39 367	(1 971)	95.2%	104.7%	34 968
Remuneration of councillors	4 204	(314)	3 890	3 550	(340)	91.3%	84.4%	3 140
Debt impairment	-	-	-	-	-	-	-	-
Depreciation & asset impairment	251	136	387	527	140	136.2%	210.3%	326
Finance charges	-	-	-	-	-	-	-	857
Bulk purchases	-	-	-	-	-	-	-	-
Other materials	215	(141)	75	-	(75)	0.0%	0.0%	-
Contracted services	2 354	(122)	2 232	4 724	2 492	211.6%	200.7%	296
Transfers and grants	-	772	772	-	(772)	0.0%	-	-
Other expenditure	27 161	4 779	31 940	33 666	1 727	105.4%	124.0%	29 475
Loss on disposal of PPE	-	-	-	-	-	-	-	-
Total Expenditure	71 782	-	80 632	81 834	1 202	101.5%	114.0%	69 061
Surplus/(Deficit)	694	-	889	(46)	(936)	-5.2%	-6.7%	(13)
Transfers recognised - capital	800	-	800	-	-	0.0%	0.0%	883
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
	1 494	195	1 689	(46)	(1 736)	-2.7%	0.0%	870
Surplus/(Deficit) after capital transfers & contributions								
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	1 494	195	1 689	(46)	(1 736)	-2.7%	-3.1%	870
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	1 494	195	1 689	(46)	(1 736)	-2.7%	-3.1%	870
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1 494	195	1 689	(46)	(1 736)	-2.7%	-3.1%	870

MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2017/18							2016/17
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
Single-year expenditure								
Vote 1 - Municipal Manager	60	(2)	58		(58)	-100%	-96%	-
Vote 2 - Finance	230	(33)	197	-	(197)	-100%	-86%	-
Vote 3 - Corporate Services	765	375	1 140	-	(1 140)	-100%	-149%	(1 562)
Vote 4 - Technical Services	100	-	100	-	(100)	-100%	-100%	-
Capital single-year expenditure	1 155	-	1 495	-	(1 495)	-100%	-129%	-
Total Capital Expenditure - Vote	-	-	-	-	-	-	-	-
Capital Expenditure - Standard								
Governance and administration	290	(23)	267	430	163	61%	56%	249
Executive and council	30	28	58	28	(30)	-52%	-100%	-
Finance and administration	260	(51)	209	402	193	92%	74%	249
Internal audit	-	-	-	-	-	-	-	-
Community and public safety	735	393	1 128	904	(223)	-20%	-30%	807
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	702	398	1 100	895	(205)	-19%	-29%	807
Housing	-	-	-	-	-	-	-	-
Health	33	(5)	28	10	(18)	-66%	-56%	-
Economic and environmental services	130	(30)	100	1	(99)	-99%	-76%	-
Planning and development	30	(30)	-	-	-	-	-	-
Road transport	100	-	100	1	(99)	-99%	-99%	-
Environmental protection	-	-	-	-	-	-	-	-
Trading services	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	1 155	340	1 495	1 336	(159)	-11%	-14%	1 056
Funded by:								
National Government	200	(40)	160		(160)	-100%	-80%	-
Provincial Government	702	398	1 100	895	(205)	-19%	-29%	883
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	902	358	1 260	-	-	0%	0%	-
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	253	(18)	235	441	206	88%	81%	173
Total Capital Funding	1 155	340	1 495	1 336	-	0%	0%	1 056

MUN - Reconciliation of Table A7 Budgeted Cash Flows

Description	2017/18							2016/17
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, peanalties and collection charges	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-
Other revenue	45 021	-	44 396	52 666	8 270	118.6%	117.0%	35 781
Government - operating	26 905	-	36 566	31 809	(4 757)	87.0%	118.2%	28 964
Government - capital	800	-	800	-	(800)	-	-	-
Interest	550	-	560	513	(47)	91.6%	93.3%	503
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(71 782)	-	(80 632)	(78 257)	2 376	97.1%	109.0%	(66 716)
Finance charges	-	-	-	(15)	(15)	-	-	(11)
Transfers and Grants	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	1 494	-	1 689	6 717	5 028	397.6%	449.5%	(1 478)
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	(691)	-	(691)	(1 614)	(923)	233.7%	233.7%	(1 521)
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(1 155)	-	(1 495)	-	1 495	0.0%	0.0%	-
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1 846)	-	(2 186)	(1 614)	-	73.9%	87.5%	(1 521)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	17	17	-	0.0%	(42)
Borrowing long term/refinancing	-	-	-	-	-	-	-	(59)
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-
Payments								
Repayment of borrowing	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	17	17	-	0.0%	(101)
NET INCREASE/ (DECREASE) IN CASH HELD	(351)	-	(496)	5 120				(3 101)
Cash/cash equivalents at the year begin:	8 383	-	8 383	2 989				6 089
Cash/cash equivalents at the year end:	8 032	-	7 887	8 108	-	0.0%	0.0%	2 989